



ORIGINAL State of New Mexico
House of Representatives
Santa Fe



0000147525

THOMAS C. TAYLOR
R - San Juan
District 1

2013 AUG 22 A 11:00

5909 Rinconada
Farmington, NM 87402
Home Phone: (505) 325-9828
Cell Phone: (505) 320-0306
E-mail: tom@tomtaylor.net

COMMISSIONER
SECRET CONTROL

COMMITTEES:
Business & Industry
Rules & Order of Business
Taxation & Revenue

INTERIM COMMITTEES:
Capitol Buildings Planning Commission
Legislative Council
Revenue Stabilization & Tax Policy
Advisory Member:
Economic & Rural Development
New Mexico Finance Authority Oversight
Designee:
Legislative Finance

August 15, 2013

Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Bob Burns
Commissioner Susan Bitter Smith
Arizona Corporation Commission
1200 West Washington - 2nd Floor
Phoenix, Arizona 85007

NR

RE: The Arizona Corporation Commission's inquiry into whether it is in the public interest to restructure the retail electric market pursuant to Generic Docket No. E-00000W-13-0135

Dear Commissioners:

This letter is to convey our concerns as the State Representatives and Senators of San Juan County (New Mexico) regarding the potential adverse economic impacts of the current inquiry, and to urge the Arizona Corporation Commission (ACC) to hold a hearing and vote to end this inquiry at the earliest opportunity. While we certainly appreciate giving matters of regulation and governance due consideration, this inquiry's taking much longer at this time will not only impose economic harms on the people of the Navajo Nation and the ratepayers of Arizona, but also the people and governments of San Juan County and the State of New Mexico.

Continuing with this inquiry at this time will terminate pending agreements between the Four Corners Power Plant ("FCPP"), of which the majority interest owner is Arizona Public Service ("APS"), and the Navajo Transitional Energy Company ("NTEC"), which is owned by the Navajo Nation ("Nation").¹ The Nation created

¹ The following information is based on public information put out by the Nation, NTEC, APS, the FCPP, and BHP Billiton New Mexico Coal Company; as well as formal and informal briefings and reports provided to the San Juan County Commission and other concerned officials by these entities' officials and representatives.

NTEC with the primary purposes of acquiring the company that owns the Navajo Mine operations, and providing fuel to the FCPP pursuant to an amended and restated Coal Supply Agreement ("CSA"). As part of this agreement, the FCPP's three older, smaller, and less-efficient generating units would be shut down; and APS would purchase the ownership interests of Southern California Edison ("SCE") in the FCPP's remaining two units.

Additionally, APS would also retrofit these two units with the most-costly Best Available Retrofit Technology ("BART")—Selective Catalytic Reduction ("SCR"), which—along with shutting down the other three units—would make the FCPP operate with about eighty-percent (80%) less pollution overall. All of these actions would culminate in a cleaner, more-efficient FCPP, which would still provide low-cost electricity to Arizona, New Mexico, and the Navajo Nation. Importantly, these actions would keep rates cheaper for retail consumers across the southwest, and ensure that the jobs and economic benefits from the FCPP and Navajo Mine operations are not lost. These jobs and economic benefits from the FCPP and Navajo Mine operations are critical to the economic and social well-being of San Juan County, the State of New Mexico, and the Navajo Nation.

However, although NTEC and APS have completed negotiations and are ready to close on the CSA to make all of this possible, the ACC's current inquiry has created so much uncertainty about the future regulatory environment that APS will not close on the ready-and-waiting deal. Moreover, if APS does not have the certainty it needs to close on its pending agreement with NTEC by the end of 2013, APS has made it clear that it will make plans to shut down the FCPP, which will also make the Navajo Mine shut down.² If this occurs, in addition to the economic harms for New Mexico and Arizona, the economies of the Navajo Nation and San Juan County will be decimated.

The people and economies of San Juan County, New Mexico, and the Nation will lose billions of dollars—literally billions³—if the CSA, which is on hold for this inquiry, is not closed and the FCPP and Navajo Mine operations shut down. San Juan County and the Navajo Nation, which are already facing challenging economic times and disadvantaged places, will be especially hard hit by APS and NTEC not closing what is a ready-to-go agreement and the shuttering of two major operations that provide necessary employment, jobs, and revenues for people and jurisdictions that are desperately in need of such things. The billions to be lost here are dollars that individuals could use for basic necessities, such as food, gas, and utilities. These billions of lost dollars are also what would pay for and contribute to the

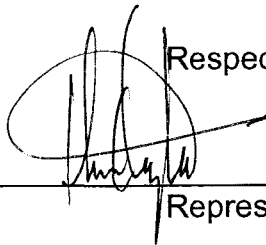
² This is assuming SCE remains amenable to selling its interests to APS for that long. Because if SCE determines its interests are not served by waiting and decides not to sell its interests in the FCPP to APS any time before December 31st, then this pending deal between APS and NTEC will not be viable, and all of the operations here will shut down.

³ Please see the attached economic fact sheet attached to this letter demonstrating these billions to be lost here.

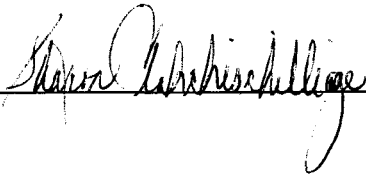
provision of essential governmental services such as fire, police, ambulances, and schools in and around San Juan County and the Navajo Nation. The prospect of such losses for our constituents and the people of neighboring places like the Navajo Nation and the counties of northeastern Arizona is what convinced me to convey my deep concerns to you by this letter. Accordingly, I strongly urge this Commission to conduct a hearing regarding the current inquiry into whether to restructure the electric market, hold a vote, and decide to end this current inquiry at your earliest possible date.

We appreciate this Commission's considering this letter and the interests of the people of San Juan County, New Mexico, the Navajo Nation, and Arizona. Please feel free to contact me any time at my office at (505) 325-9828 concerning this matter.

Respectfully,



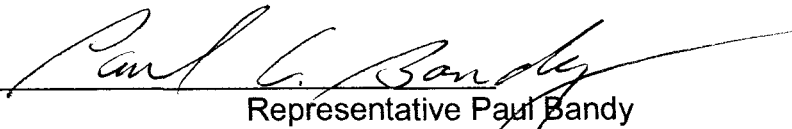
Representative Thomas C. Taylor



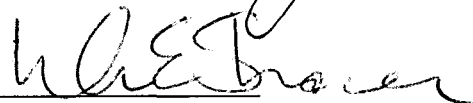
Representative Sharon Clahchischilliage



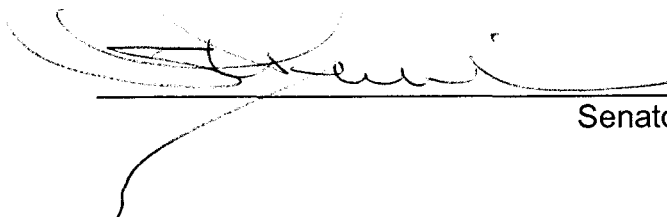
Representative James R.J. Strickler



Representative Paul Bandy



Senator William E. Sharer



Senator Steven P. Neville

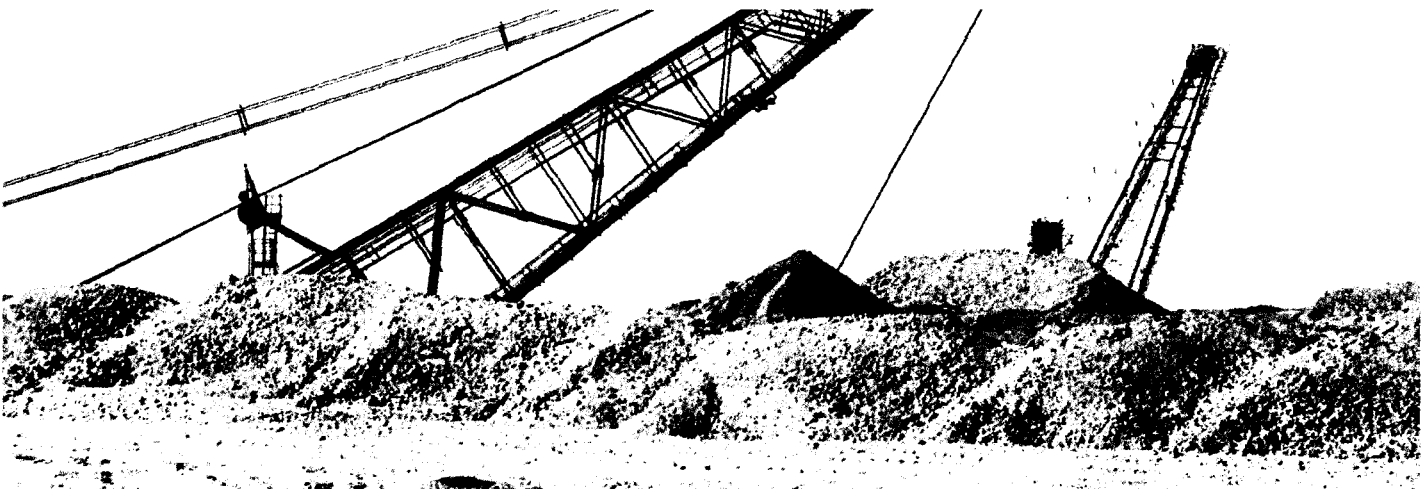


NTEC



Fact Sheet

The Economic Impacts of Navajo Mine and The Four Corners Power Plant

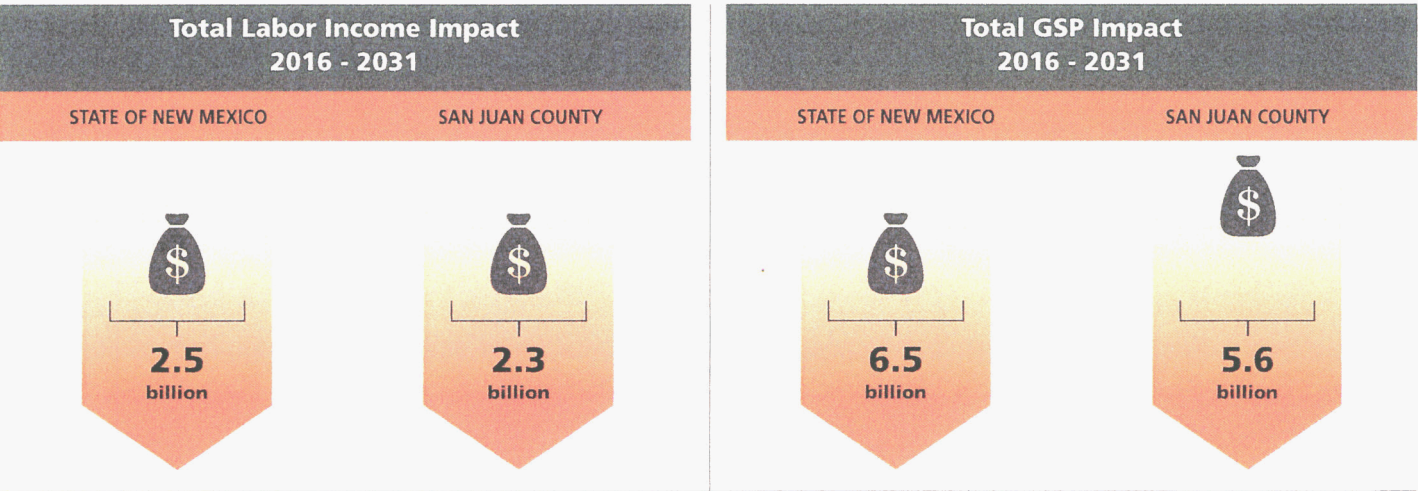


-
- The W.P. Carey School of Business at the Arizona State University (ASU) recently conducted an economic impact analysis of Navajo Mine and the Four Corners Power Plant.
 - The ASU study provides information for the socio-economic section of the Environmental Impact Statement that the U.S. Office of Surface Mining is currently developing.
 - The study examined the direct and indirect impacts that both operations have on the regional and state economic base.
 - The study analysed the impacts for the lease term 2016-2041. This fact sheet considers the proposed Navajo Mine ownership transfer to the Navajo Nation, the shutdown of Units 1-3 at the Four Corners Power Plant, and the extension of the operations for 15 years from 2016 to 2031.
-

These figures represent the economic impacts at risk if Navajo Mine and the Four Corners Power Plant close in 2016.



The scenario with Navajo Mine transfer of ownership to the Navajo Nation and operating Units 4 & 5 from 2016-2031, the study found the following impacts:



Gross State Product (GSP): this is synonymous with value added. It represents the dollar value of all goods and services produced for final demand in the state or county. It excludes the value of intermediate goods and services purchased as inputs to final production. It can also be defined as the sum of employee compensation (wages, salaries and benefits, including employer contributions to health insurance and retirement pensions), proprietor income, property income, and indirect business taxes.

— ASU Study